

Section E

ACCOUNT A	DESCRIPTION B	INVESTMENTS PURCHASED IN 1993 (\$000)					ACCOUNT TOTAL H=C Thru G
		\$500 - \$750 C	\$751 - \$1000 D	\$1001 - \$1500 E	\$1501 - \$2000 F	>\$2000 G	
2112	Motor Vehicles	0	0	0	0	17,036	17,036
2113	Aircraft	0	0	0	0	0	0
2114	Special Purpose Vehicles	0	0	0	0	0	0
2115	Garage Work Equipment	1	0	2	2	177	182
2116	Other Work Equipment	75	289	579	461	5,902	7,306
2122	Furniture	5	0	6	3	17	31
2123.1	Office Support Equipment	28	15	30	32	1,703	1,808
2123.2	Co Communications Equip.	2,489	1,059	3,988	1,193	6,175	14,904
2124	Gen'l Purpose Computers	399	414	980	936	25,105	27,834
TOTAL	INVESTMENT	2,997	1,777	5,585	2,627	56,115	69,101

Section F

ACCOUNT A	DESCRIPTION B	NUMBER OF PLANT ITEMS PURCHASED IN 1993					TOTAL H=C Thru G
		\$500 - \$750 C	\$751 - \$1000 D	\$1001 - \$1500 E	\$1501 - \$2000 F	>\$2000 G	
2112	Motor Vehicles	0	0	0	0	1,891	1,891
2113	Aircraft	0	0	0	0	0	0
2114	Special Purpose Vehicles	0	0	0	0	0	0
2115	Garage Work Equipment	2	0	2	1	10	15
2116	Other Work Equipment	114	312	464	247	1,080	2,217
2122	Furniture	7	0	5	2	6	20
2123.1	Office Support Equipment	49	17	25	18	94	203
2123.2	Co Communications Equip.	4,081	1,225	3,166	681	1,491	10,644
2124	Gen'l Purpose Computers	696	462	826	544	1,905	4,433
TOTAL	ITEMS IN SERVICE	4,949	2,016	4,488	1,493	6,477	19,423

REGION/COMPANY Southwestern Bell JURISDICTION Texas

Section G

ACCOUNT A	DESCRIPTION B	INVESTMENTS PURCHASED IN 1994 (\$000)					ACCOUNT TOTAL H=C Thru G
		\$500 - \$750 C	\$751 - \$1000 D	\$1001 - \$1500 E	\$1501 - \$2000 F	>\$2000 G	
2112	Motor Vehicles	0	0	0	0	16,880	16,880
2113	Aircraft	0	0	0	0	0	0
2114	Special Purpose Vehicles	0	0	0	0	0	0
2115	Garage Work Equipment	1	0	0	0	21	22
2116	Other Work Equipment	136	245	485	863	5,178	6,907
2122	Furniture	2	3	1	5	64	75
2123.1	Office Support Equipment	56	52	71	51	819	1,049
2123.2	Co Communications Equip.	1,418	660	3,042	1,302	7,344	13,766
2124	Gen'l Purpose Computers	184	153	167	342	36,196	37,042
TOTAL INVESTMENT		1,797	1,113	3,766	2,563	66,502	75,741

Section H

ACCOUNT A	DESCRIPTION B	NUMBER OF PLANT ITEMS PURCHASED IN 1994					TOTAL H=C Thru G
		\$500 - \$750 C	\$751 - \$1000 D	\$1001 - \$1500 E	\$1501 - \$2000 F	>\$2000 G	
2112	Motor Vehicles	0	0	0	0	1,788	1,788
2113	Aircraft	0	0	0	0	0	0
2114	Special Purpose Vehicles	0	0	0	0	0	0
2115	Garage Work Equipment	1	0	0	0	4	5
2116	Other Work Equipment	200	275	376	457	1,057	2,365
2122	Furniture	1	3	1	3	14	22
2123.1	Office Support Equipment	92	62	57	30	94	335
2123.2	Co Communications Equip.	2,291	794	2,461	741	1,009	7,296
2124	Gen'l Purpose Computers	292	175	136	195	1,366	2,164
TOTAL ITEMS IN SERVICE		2,877	1,309	3,031	1,426	5,332	13,975

EXPENSE LIMIT DATA REQUEST CC DOCKET NO. 95-60

Q. Please explain what types of internal controls you have in place for tracking items that are expensed.

A. Southwestern Bell Telephone Company (SWBT) has a number of internal controls and security measures which serve to safeguard its assets, including expensed items. While these controls and measures generally do not keep track of individual expensed assets on an item-by-item basis in the same manner as Part 32 detailed property records, they are the most cost-effective procedures for safeguarding assets, especially with respect to items that are or should be expensed. Typically, expensed items are large volume purchases with small dollar costs. Detailed item-by-item tracking of such expensed assets simply cannot be cost-justified from a business perspective, especially in view of the sufficiency of the other controls and measures. SWBT's competitors and firms in other industries use such controls and measures to safeguard their assets. In addition to the controls and measures described below, SWBT has special recordkeeping for certain types of expensed assets to meet specific business needs. For example, SWBT keeps records of cellular phone equipment in order to verify the associated cellular service invoices. Other examples of special recordkeeping are the records kept in connection with maintenance of official communications equipment.

SWBT's primary controls are designed to assure that:

- 1) assets are safeguarded, and
- 2) financial records accurately reflect the company's accounting transactions.

Specific internal controls and security measures include the following:

Safeguarding of Assets

The following controls have been implemented by SWBT to safeguard its assets:

Expense budgets are maintained for each operating unit and are monitored closely by management in both the operating unit and the Accounting/Finance department.

Expenditures must be authorized by the appropriate level of management in accordance with SWBT's Schedule of Authorizations. Limited discretionary funds in today's competitive environment make it unlikely that managers would readily authorize the purchase of new equipment to replace items if there were a loss. Emphasis is placed on purchasing only equipment that is absolutely necessary to generate revenue or increase productivity. Organizations that exhaust expense budgets will have significant difficulty obtaining more items in this strict budget environment.

Security guards in each building monitor the removal of equipment from company premises. In addition, most company sites are secured by locks; e.g., door codes for central offices and locks on yard gates at work centers.

Southwestern Bell's *Code of Business Conduct* contains strong language about the misappropriation of company property. It promises dismissal and prosecution under the law. Every employee is required to read this Code and sign a statement of understanding annually.

Recording of Transactions

The following controls have been implemented by SWBT to ensure that transactions are properly recorded:

Requests for payment are reviewed for appropriate authorizations and supporting documentation. Invoices must be approved by management in accordance with the schedule of authorization.

Expenses are reviewed for reasonableness on a continuous basis by the Finance Organization. Material fluctuations are investigated and resolved promptly.

Internal and external auditors periodically review our controls to ensure proper reporting and accurate tracking of expenditures on an ongoing basis.

Purchasing activities are segregated from the disbursement and accounting activities.

Purchase orders must contain information regarding price and quantity, and must be appropriately authorized.

SWBT Operating Practices detail proper accounting procedures to be followed when purchasing, transferring and disposing of equipment.

SWBT's accounting systems contain various edits to ensure that transactions are recorded in accordance with company policies and procedures. For example, transactions are edited for valid accounts, location codes, expenditure types, account/job order number combinations, etc. In addition, the systems can be set up to allow only selected organizations to charge some accounts, thereby prohibiting charges to those accounts by organizations not specifically authorized.

Southwestern Bell Telephone has internal procedures for disposing of equipment. Employees return unused equipment to the Procurement organization for re-use elsewhere within the company or for sale to others.

Account reconciliations/balancing to ensure consistency of books and records (e.g. Cash Accounts to Treasury reports for cash purchases, if any, monthly general ledger close process for balancing accounts payable transactions to the general ledger).